

## **Summary: Customer Discovery**

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Following summary is based on Steven G. Blanc's book "The Four Steps to the Epiphany".

### **Introduction:**

One of the standard startup mistakes are not their product or service which may be developed very well, but neglect to spend an equivalent amount of time to develop the market for their product. You may have an excellent product, but when it is just something nice that does not solve customers' problems, then there is no point to have one. Therefore customer discovery process is needed for finding right clients for your product before fully developing it.

To ensure finding further customers you have to ascertain if your potential customers have a problem you think they have?

Does your product or service solve those problems?

Do you have a viable and profitable business model?

And do you already know enough about your customers and about your product to sell it effectively?

### **Startup:**

Every startup begins with a vision of a new product or service. You vision how the product will reach the customers and why people want to buy it. But these visions are still barely educated guesses. To avoid startup's failure, all of these hypotheses must be validated to test their correctness and applicability in real life. General goal of customer discovery is turning the founders' hypotheses about the market and customers into facts that can be used for building up the company afterwards. Those facts however can not be discovered in your office. To validate all the initial hypotheses one must meet the customers who can be the further users of your product or service.

Although customer discovery process seems very disorienting for marketers who have learned about product management in large companies, it is very useful for small startups. Instead of building your product to large masses you start building it to few and to customer you do not know thoroughly. You have to ignore rules like understanding the needs and wants of all customers and making a list of all features. While already existing companies create a marketing requirements document for summing up all possible customer feature requests prioritized between marketing, sales and engineering, hold focus groups, analyze sales data from the field and learn from customer feature requests and complains, then startup does not have time and resources to try and obtain this kind of information without yet existing in the market. Therefore should startups focus only for the earlyvangelists who satisfy with less but with something that resolves their most urgent problems. And after getting valuable feedback from those first customers, you can get enough reliable information for adding features into your follow-on releases.

### **Earlyvangelists:**

Earlyvangelists are the most important customers for startups. They are the few who have a budget and are willing to take a risk on a new product or service because they can envision its potential to solve their critical problems. Potential earlyvangelists are typically customers who realize that they have a problem and they can already visualize the possible solution and are willing to spend on it.

**First prototype:**

In the beginning of new startup there is very little customer feedback. Alternatively you can put a product development on hold until the right customers are found. However on the other hand, having already some functional product you can demonstrate to potential clients helps to speed up customer development process. Therefore it is always good idea to prepare a minimal prototype for finding out if there are customers willing to pay for that product or service. When those customers are found you can continue to tailor the first release that satisfies the customers' needs.

The purpose of demonstrating your first product or service is not to gather features requests for changing the product, it is to finding customers for the product you are already building. When you are unable to find any customer, only then present the requested features to the product development team.

Then why is talking to customers important at all?

In any case you have to start building your product or service. Customer development team's job is to get the customers' knowledge to catch up to the pace of development and to guarantee there will be paying customers in time for the first release. Therefore it is crucial that product development team communicates as much as possible with customer development and understands the customer needs.

In contrast to marketing requirements document approach used in existing companies, startups can not build a mainstream product that satisfies every customer's needs. It is important to find those first paying customers who will find your product useful for them and who can provide you enough information for adjusting your vision.

**Customer discovery process:**

Customer discovery process consists of 4 phases: stating hypotheses, testing problem hypotheses, testing product concept and verifying.

But before that all, one must get buy-in from board and executive staff. All the key players and investors in the project must be educated so they know why customer discovery is needed and so they would support it.

Phase 1 is about writing down company's initial assumptions and hypotheses about everything you can imagine in this state. If some of following remains unclear, then it is not a problem. These points will help you to find out facts you do not know yet.

Product – main guesses about the product and its development. Its features, benefits to customer, related intellectual properties, dependency analysis, delivery schedule and total cost of ownership.

Customer and their problems – main guesses about the potential customers. Types of customers, customer problems, a day in the life of potential customer, organizational and customer influence map, return on investment justification and minimum feature set of the product.

Channels and pricing – guesses about pricing of the product or service and its distribution channels.

Demand creation – plans how to make your product or service known to your potential customers and how to reach them.

Market type – in which market your product or service will enter. Existing market, resegmenting existing market or in completely new market.

Competition – figure out who are your future competitors and which are their market shares.

In phase 2 you will take those assumptions in front of your potential customers and test if they are correct. This is the place of listening what your future customers think of it. Using the lessons learned you revise your product accordingly.

In phase 3 you test your prototype's features in front of customer. The goal in here is not to sell the product but to test if it solves the customer problems and if he or she is willing to buy it. During the process you can also validate if your business model is sustainable.

In phase 4 you get back into the office and revise if you have fully understood customer problems, if product solves those problems, do you have enough clients for the product and does the resulting revenue will result in a profitable business model.

Only if successful in this point you can move on to the customer validation.